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Authority **NND 969000**
By **CB** Date **04/09/02**

S/S 11844

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PA/HO Department of State

E.O. 12958, as amended

June 21, 2006

DEPARTMENT OF STATE

Washington, D.C. 20520

~~S/S Pending~~~~R/S/R~~ FILESAttention *Mrs Mullett*
Keep this study together.

August 27, 1970

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSESubject: Export-Import Bank Financing for Iranian
Purchases of U.S. Military Equipment

Foreign Military Sales authorization and appropriation legislation may not be forthcoming in the foreseeable future. This has most serious implications for our relations with Iran which has long-term commitments for purchases of U.S. military equipment and payment obligations for this equipment which will be coming due shortly. These obligations and continuing economic development and military requirements have stretched Iran's resources to the limit. It now faces a short-term financial crisis.

Iran has counted heavily on our fulfilling the undertaking we gave it in 1968 to help it finance purchases of U.S. military equipment over a five-year period. If we are now unable to help our close relations with Iran are bound to suffer and our position in this important area of the world deteriorate.

The Department has concluded that we must move urgently in providing Iran with alternative financing. We understand that it may be possible for the Export-Import Bank to help.

We are therefore, with Department of Defense and Treasury concurrence, urging the Export-Import Bank to be responsive to Iranian requests for credit to finance its purchases of U.S. military equipment. This will, of course, be a shift from the course of action we have been pursuing up to the present in that we had expected Iran would obtain its military credit requirements through Foreign Military Sales legislation. It will also mean that the Export-Import Bank will have to face recurring requests from Iran for military credit at least through FY '72 in accord with our 1968 undertaking.

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We believe that Export-Import Bank Chairman Kearns will consider it prudent to advise the Congress of a favorable Bank decision to finance Iran's military purchases. In this connection the Department believes it would be most helpful for him to have an expression of White House interest in this matter. Accordingly, we believe it would be helpful if you were to write Chairman Kearns indicating White House belief, that, provided Iran meets the Bank's normal lending criteria, it is in the U.S. national interest that the Bank provide Iran with military credit in amounts to be determined after consultation with the Department of State and the Department of Defense. We hope you will find it appropriate in this letter to urge Mr. Kearns to coordinate the timing of any consultations on the Hill on this subject with the State Department in order that they do not jeopardize any other consultations designed to secure authorization for foreign military sales which are currently stymied in the House-Senate Conference.

Theodore L. Eliot Jr.
Theodore L. Eliot, Jr.
Executive Secretary

Clearances:

H - Mr. Schnee
Treasury - Mr. Mc Ginnis
DOD - Mr. Nutter
PM - Mr. Chapman
NEA - Mr. Davies

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